

AMENDED IN ASSEMBLY AUGUST 29, 2000

AMENDED IN ASSEMBLY AUGUST 24, 2000

AMENDED IN ASSEMBLY AUGUST 14, 2000

AMENDED IN SENATE JUNE 6, 2000

AMENDED IN SENATE MAY 10, 2000

SENATE BILL

No. 2148

**Introduced by Senator Polanco
(Principal coauthor: Senator Leslie)**

February 25, 2000

An act to amend Section 163 of, and to repeal Section 201.3 of, the Corporations Code, to amend Sections 100, 102, 103, 105, 107, 109, 116, 200, 256, 258, 274, 275, 276, 277, 600, 1500.1, 1800.3, 1913.5, 3100, 3371, 3390, 3391, 3392, 3392.5, 3800, 3824, 3825, 3826, 3827, 3903, 4805.01, 4821.5, 4823, 4826.5, 4827, 4827.7, 4871.5, 4877.03, 4901.5, 12307.4, 18003, 22050, 22154, and 31220 of, to add Sections 105.2, 105.5, 105.7, 107.5, 4805.02, 4805.10, 18003.2 to, to add Chapter 11 (commencing with Section 1400) to Division 1 of, and to repeal Section 139.6 of, the Financial Code, relating to financial institutions, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 2148, as amended, Polanco. Financial institutions.

Existing law, the Banking Law, regulates all banks in the state. Existing law, the Industrial Loan Law, regulates

industrial loan companies, including premium finance agencies that provide insurance premium financing.

This bill would change the name of “industrial loan company” to “industrial bank”, except in the case of a premium finance agency, and would make industrial banks subject to the Banking Law, as revised, which would permit industrial banks to engage in all the activities of a commercial bank, including engaging in the trust business. This bill would make related changes to provisions governing former industrial loan companies. However, existing provisions of the Industrial Loan Law would continue to govern industrial loan companies that act as premium finance agencies and that provide insurance premium financing. These entities would not be governed by the Industrial Bank Law.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 163 of the Corporations Code is
2 amended to read:

3 163. “Corporation subject to the Banking Law”
4 (Division 1 (commencing with Section 99) of the
5 Financial Code) means:

6 (a) Any corporation which, with the approval of the
7 Commissioner of Financial Institutions, is incorporated
8 for the purpose of engaging in, or which is authorized by
9 the Commissioner of Financial Institutions to engage in,
10 the commercial banking business under Division 1
11 (commencing with Section 99) of the Financial Code.

12 (b) Any corporation which, with the approval of the
13 Commissioner of Financial Institutions, is incorporated
14 for the purpose of engaging in, or which is authorized by
15 the Commissioner of Financial Institutions to engage in,
16 the industrial banking business under Division 1
17 (commencing with Section 99) of the Financial Code.

18 (c) Any corporation (other than a corporation
19 described in subdivision (d)) which, with the approval of



1 the Commissioner of Financial Institutions, is
2 incorporated for the purpose of engaging in, or which is
3 authorized by the Commissioner of Financial Institutions
4 to engage in, the trust business under Division 1
5 (commencing with Section 99) of the Financial Code.

6 (d) Any corporation which is authorized by the
7 Commissioner of Financial Institutions and the
8 Commissioner of Insurance to maintain a title insurance
9 department to engage in title insurance business and a
10 trust department to engage in trust business; or

11 (e) Any corporation which, with the approval of the
12 Commissioner of Financial Institutions, is incorporated
13 for the purpose of engaging in, or which is authorized by
14 the Commissioner of Financial Institutions to engage in,
15 business under Article 1 (commencing with Section
16 3500), Chapter 19, Division 1 of the Financial Code.

17 SEC. 2. Section 201.3 of the Corporations Code is
18 repealed.

19 SEC. 3. Section 100 of the Financial Code is amended
20 to read:

21 100. This division is applicable to the following:

22 (a) All corporations engaging in commercial banking,
23 industrial banking, or the trust business.

24 (b) All national banking associations authorized to
25 transact business in this state to the extent that the
26 provisions of this division are not inconsistent with and do
27 not infringe paramount federal laws governing national
28 banking associations.

29 (c) All other corporations as shall subject themselves
30 to the special provisions and sections of this division.

31 (d) All other persons, associations, copartnerships, or
32 corporations who, by violating any of its provisions,
33 become subject to the penalties provided for in this
34 division.

35 SEC. 4. Section 102 of the Financial Code is amended
36 to read:

37 102. The word “bank” as used in this division means
38 any incorporated banking institution that shall have been
39 incorporated to engage in commercial banking business,
40 industrial banking, or trust business.

1 SEC. 5. Section 103 of the Financial Code is amended
2 to read:

3 103. Banks are divided into the following classes:

4 (a) Commercial banks.

5 (b) Industrial banks.

6 (c) Trust companies.

7 SEC. 6. Section 105 of the Financial Code is amended
8 to read:

9 105. “Commercial bank” means a corporation
10 organized for the purpose of engaging in the commercial
11 banking business.

12 SEC. 7. Section 105.2 is added to the Financial Code,
13 to read:

14 105.2. “Commercial banking business” includes, but is
15 not limited to, the business of soliciting, receiving, or
16 accepting of money or its equivalent on deposit as a
17 regular business whether the deposit is made subject to
18 check or is evidenced by a certificate of deposit, a
19 passbook, a note, a receipt, or other writing, provided that
20 nothing herein shall apply to or include money or its
21 equivalent left in escrow, or left with an agent pending
22 investment in real estate or securities for, or on account
23 of, his or her principal. In addition, “commercial banking
24 business” means to lend money on the security of real or
25 personal property or without security; to discount or deal
26 in bills, notes, or other commercial paper; to buy and sell
27 for the account of customers, and, if eligible for
28 investment, for its own account, securities, gold and silver
29 bullion, foreign coins, and bills of exchange; and generally
30 to transact a commercial banking business.

31 SEC. 8. Section 105.5 is added to the Financial Code,
32 to read:

33 105.5. “Industrial bank” means a corporation
34 organized for the purpose of engaging in the industrial
35 banking business.

36 SEC. 9. Section 105.7 is added to the Financial Code,
37 to read:

38 105.7. “Industrial banking business” includes the
39 making of loans and acceptance of deposits, including

1 deposits evidenced by investment or thrift certificates,
2 but excluding demand deposits.

3 SEC. 10. Section 107 of the Financial Code is amended
4 to read:

5 107. “Trust company” means a corporation, industrial
6 bank, or a commercial bank that is authorized to engage
7 in the trust business.

8 SEC. 11. Section 107.5 is added to the Financial Code,
9 to read:

10 107.5. It shall be unlawful for any person, corporation,
11 limited liability company, partnership, firm, or any other
12 form of business entity allowed by law, to engage in or
13 transact commercial banking business, industrial banking
14 business, or trust business within this state except by
15 means of a corporation duly organized for that purpose.

16 SEC. 12. Section 109 of the Financial Code is amended
17 to read:

18 109. “Bank” or “banks” includes commercial banks,
19 industrial banks, and trust companies unless the context
20 otherwise requires. However, “bank” does not include a
21 savings association or a credit union.

22 SEC. 13. Section 116 of the Financial Code is amended
23 to read:

24 116. No corporation shall hereafter be organized
25 under the laws of this state to transact the business of a
26 commercial bank, industrial bank, or trust company
27 except as provided in this division.

28 SEC. 14. Section 139.6 of the Financial Code is
29 repealed.

30 SEC. 15. Section 200 of the Financial Code is amended
31 to read:

32 200. (a) In this section:

33 (1) “Business and industrial development
34 corporation” means a corporation licensed under
35 Division 15 (commencing with Section 31000).

36 (2) “Payment instrument” has the same meaning as
37 set forth in Section 33059.

38 (3) “Traveler’s check” has the same meaning as set
39 forth in Section 1852.

1 (b) There is in the state government, in the Business,
2 Transportation and Housing Agency, a Department of
3 Financial Institutions which has charge of the execution
4 of, among other laws, the laws of this state relating to any
5 of the following: (1) banks or trust companies or the
6 banking or trust business; (2) savings associations or the
7 savings association business; (3) credit unions or the
8 credit union business; (4) persons who engage in the
9 business of receiving money for transmission to foreign
10 nations or such business; (5) issuers of traveler's checks or
11 the traveler's check business; (6) issuers of payment
12 instruments or the payment instrument business; (7)
13 business and industrial development corporations or the
14 business and industrial development corporation
15 business, or (8) insurance premium finance agencies or
16 the insurance premium finance business.

17 SEC. 16. Section 256 of the Financial Code is amended
18 to read:

19 256. On or before May 31 of each year, the
20 commissioner shall, through the Secretary of the
21 Business, Transportation and Housing Agency, report to
22 the Governor and to the Legislature. The report shall
23 contain the following information:

24 (a) A list of the California state banks that were
25 authorized by the commissioner to transact business as of
26 the end of the preceding calendar year.

27 (b) A list of the foreign (other nation) banks that were
28 licensed by the commissioner to maintain offices in
29 California as of the end of the preceding calendar year.

30 (c) A list of the California state savings associations
31 that were authorized by the commissioner to transact
32 business as of the end of the preceding calendar year.

33 (d) A list of the foreign savings associations that were
34 authorized by the commissioner to maintain offices in
35 California as of the end of the preceding calendar year.

36 (e) A list of the California state credit unions that were
37 authorized by the commissioner to transact business as of
38 the end of the preceding calendar year.

39 (f) A list of the credit unions organized and qualified
40 as credit unions in other states of the United States that

1 were certified by the commissioner to act as credit unions
2 in California as of the end of the preceding calendar year.

3 (g) A list of the persons that were licensed by the
4 commissioner under Chapter 14 (commencing with
5 Section 1800), Chapter 14A (commencing with Section
6 1851), Division 7 (commencing with Section 18000),
7 Division 15 (commencing with Section 31000), or
8 Division 16 (commencing with Section 33000) to transact
9 business as of the end of the preceding calendar year.

10 (h) In case during the preceding calendar year the
11 commissioner took possession of the property and
12 business of any California state bank, foreign (other
13 nation) bank, savings association, credit union, or person
14 licensed under any of the laws cited in subdivision (g) to
15 transact business, a list of those California state banks,
16 foreign (other nation) banks, savings associations, credit
17 unions, or licensees.

18 (i) In case at any time during the preceding calendar
19 year the commissioner was the liquidator of any
20 California state banks, foreign (other nation) banks,
21 savings associations, credit unions, or persons licensed
22 under any of the laws cited in subdivision (g) to transact
23 business, a list of those California state banks, foreign
24 (other nation) banks, savings associations, credit unions,
25 or licensees.

26 (j) Other information as the commissioner deems
27 appropriate.

28 ~~SEC. 16.5. Section 256 of the Financial Code is~~
29 ~~amended to read:~~

30 ~~256. On or before May 31 of each year, the~~
31 ~~commissioner shall, through the Secretary of the~~
32 ~~Business, Transportation and Housing Agency, report to~~
33 ~~the Governor and to the Legislature. The report shall~~
34 ~~contain the following information:~~

35 ~~(a) A list of the California state banks that were~~
36 ~~authorized by the commissioner to transact business as of~~
37 ~~the end of the preceding calendar year.~~

38 ~~(b) A list of the foreign (other nation) banks that were~~
39 ~~licensed by the commissioner to maintain offices in~~
40 ~~California as of the end of the preceding calendar year.~~

1 ~~(c) A list of the California state savings associations~~
2 ~~that were authorized by the commissioner to transact~~
3 ~~business as of the end of the preceding calendar year.~~

4 ~~(d) A list of the foreign savings associations that were~~
5 ~~authorized by the commissioner to maintain offices in~~
6 ~~California as of the end of the preceding calendar year.~~

7 ~~(e) A list of the California state credit unions that were~~
8 ~~authorized by the commissioner to transact business as of~~
9 ~~the end of the preceding calendar year.~~

10 ~~(f) A list of the credit unions organized and qualified~~
11 ~~as credit unions in other states of the United States that~~
12 ~~were certified by the commissioner to act as credit unions~~
13 ~~in California as of the end of the preceding calendar year.~~

14 ~~(g) A list of the persons that were licensed by the~~
15 ~~commissioner under Chapter 14 (commencing with~~
16 ~~Section 1800), Chapter 14A (commencing with Section~~
17 ~~1851), Division 7 (commencing with Section 18000),~~
18 ~~Division 15 (commencing with Section 31000), or~~
19 ~~Division 16 (commencing with Section 33000) to transact~~
20 ~~business as of the end of the preceding calendar year, and~~
21 ~~the following information on the money transmission~~
22 ~~industry:~~

23 ~~(1) Data on the size of the industry by the number of~~
24 ~~transactions and by the aggregate value of transactions.~~

25 ~~(2) Data on the distribution of transactions across the~~
26 ~~state by value, by number of transactions, and by country~~
27 ~~of destination.~~

28 ~~(3) Data on aggregate value, number of transactions,~~
29 ~~range in value, and average transaction value by country~~
30 ~~of destination.~~

31 ~~(4) A ranking of licensees by value of transactions and~~
32 ~~number of transactions.~~

33 ~~(5) The average rates of exchange, commissions, and~~
34 ~~fees offered to consumers for each quarter of the~~
35 ~~preceding year for each currency transmitted by each~~
36 ~~licensee.~~

37 ~~(6) The average rates of exchange as quoted by the~~
38 ~~United States Federal Reserve Bank for each currency~~
39 ~~transmitted by licensees in the State of California.~~

1 ~~(7) The number of complaints received by the~~
2 ~~department, by regional location in the state, by the~~
3 ~~country destination of money transmitted abroad, and by~~
4 ~~the language used in the complaint.~~

5 ~~(8) Other information on the money transmission~~
6 ~~industry as the commissioner deems appropriate.~~

7 ~~(h) In case during the preceding calendar year the~~
8 ~~commissioner took possession of the property and~~
9 ~~business of any California state bank, foreign (other~~
10 ~~nation) bank, savings association, credit union, or person~~
11 ~~licensed under any of the laws cited in subdivision (g) to~~
12 ~~transact business, a list of those California state banks,~~
13 ~~foreign (other nation) banks, savings associations, credit~~
14 ~~unions, or licensees.~~

15 ~~(i) In case at any time during the preceding calendar~~
16 ~~year the commissioner was the liquidator of any~~
17 ~~California state banks, foreign (other nation) banks,~~
18 ~~savings associations, credit unions, or persons licensed~~
19 ~~under any of the laws cited in subdivision (g) to transact~~
20 ~~business, a list of those California state banks, foreign~~
21 ~~(other nation) banks, savings associations, credit unions,~~
22 ~~or licensees.~~

23 ~~(j) Other information as the commissioner deems~~
24 ~~appropriate.~~

25 SEC. 17. Section 258 of the Financial Code is amended
26 to read:

27 258. At least once each month, the commissioner shall
28 issue and disseminate as the commissioner deems
29 appropriate a bulletin containing the following
30 information:

31 (a) Information regarding any the following actions
32 taken since issuance of the previous bulletin:

33 (1) The filing, approval, or denial under Chapter 3
34 (commencing with Section 350) of an application for
35 authority to organize a California state bank, or the
36 issuance under Chapter 3 of a certificate of authority to
37 a California state bank.

38 (2) The filing, approval, or denial under Article 1
39 (commencing with Section 5400) of Chapter 2 of Division
40 2 of an application for the issuance of an organizing

1 permit for the organization of a California savings
2 association, or for the issuance under Article 2
3 (commencing with Section 5500) of Chapter 2 of Division
4 2 of a certificate of authority to a California savings
5 association.

6 (3) The filing, approval, or denial under Article 2
7 (commencing with Section 14150) of Chapter 2 of
8 Division 5 of an application for a certificate to act as a
9 credit union, or the issuance of a certificate to engage in
10 the business of a credit union.

11 (4) The filing, approval, or denial under Chapter 14
12 (commencing with Section 1800), Chapter 14A
13 (commencing with Section 1851), Division 7
14 (commencing with Section 18000), Division 15
15 (commencing with Section 31000), or Division 16
16 (commencing with Section 33000) of an application for a
17 license to engage in business, or the issuance under any
18 of those laws of a license to engage in business.

19 (5) The filing, approval, or denial under Chapter 13.5
20 (commencing with Section 1700) of an application by a
21 foreign (other nation) bank to establish its first office of
22 any particular class (as determined under Section 1701)
23 in this state, or the issuance under that chapter of a license
24 in connection with the establishment of such an office.

25 (6) The filing, approval, or denial under Division 1.5
26 (commencing with Section 4800) of an application for
27 approval of a sale, merger, or conversion.

28 (7) The filing, approval, or denial under Article 6
29 (commencing with Section 5700) of Chapter 2 of Division
30 2 of an application for approval of a conversion of a federal
31 savings association into a state savings association, or the
32 filing of a federal charter of a state savings association that
33 has converted to a federal savings association.

34 (8) The filing, approval, or denial under Article 7
35 (commencing with Section 5750) of Chapter 2 of Division
36 2 of an application for approval of a reorganization,
37 merger, consolidation, or transfer of assets of a state
38 savings association.

39 (9) The filing, approval, or denial under Chapter 9
40 (commencing with Section 15200) of Division 5 of an

1 application for approval of a merger, dissolution, or
2 conversion of a credit union.

3 (10) The taking of possession of the property and
4 business of a California state bank, savings association,
5 credit union, or person licensed by the commissioner
6 under any of the laws cited in paragraph (2).

7 (b) Other information as the commissioner deems
8 appropriate.

9 SEC. 18. Section 274 of the Financial Code is amended
10 to read:

11 274. Except as otherwise provided in Section 276 or
12 277, all salaries and other expenses of the department,
13 other than those incurred in administering laws relating
14 to savings associations or the savings association business,
15 credit unions or the credit union business, industrial
16 banks, the industrial banking business, insurance
17 premium finance agencies, the insurance premium
18 finance business, or Article 2 (commencing with Section
19 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the
20 Government Code, shall be paid out of the State Banking
21 Account in the Financial Institutions Fund. Salaries and
22 other expenses incurred in the liquidation or
23 conservation of any bank (other than an industrial bank)
24 or of any person licensed under Chapter 14 (commencing
25 with Section 1800), Chapter 14A (commencing with
26 Section 1851), Division 15 (commencing with Section
27 31000), or Division 16 (commencing with Section 33000),
28 including the compensation of employees of the
29 department to the extent that they are engaged in that
30 liquidation or conservation, if possible, and if advanced
31 from the State Banking Account in the Financial
32 Institutions Fund, shall constitute a first charge against
33 the assets of the bank or licensee, as the case may be.
34 Salaries and other expenses incurred in the liquidation or
35 conservation of any industrial bank, including the
36 compensation of employees of the department to the
37 extent that they are engaged in that liquidation or
38 conservation, if possible, and if advanced from the
39 Industrial Bank Account in the Financial Institutions

1 Fund, shall constitute a first charge against the assets of
2 the industrial bank.

3 SEC. 19. Section 275 of the Financial Code is amended
4 to read:

5 275. The commissioner shall deliver all moneys
6 received or collected by the commissioner under Section
7 270, 271, or 272 or otherwise, other than moneys received
8 or collected by the commissioner under laws relating to
9 savings associations, the savings association business,
10 credit unions, the credit union business, industrial banks,
11 the industrial banking business, insurance premium
12 finance agencies, the insurance premium finance
13 business, or Article 2 (commencing with Section 53630)
14 of Chapter 4 of Part 1 of Division 2 of Title 5 of the
15 Government Code, to the Treasurer, who shall deposit
16 the moneys to the credit of the State Banking Account of
17 the Financial Institutions Fund.

18 SEC. 20. Section 276 of the Financial Code is amended
19 to read:

20 276. (a) In this section, “assessment statute” means
21 any statute that authorizes the commissioner to make or
22 collect an assessment (other than a fine) on financial
23 institutions, including the following:

24 (1) Sections 270 to 271.5, inclusive.

25 (2) Section 1801.1.

26 (3) Section 33302.

27 (4) Article 2 (commencing with Section 8030) of
28 Chapter 7 of Division 2.

29 (5) Article 4 (commencing with Section 14350) of
30 Chapter 3 of Division 5.

31 (6) Section 1402.

32 (b) The commissioner may charge to and collect from
33 the Financial Institutions Fund, the Credit Union Fund,
34 each of the accounts included in the Financial Institutions
35 Fund, and each of the programs included in the State
36 Banking Account an amount equal to the fund’s,
37 account’s, or program’s pro rata share of those expenses
38 of the department which, in the opinion of the
39 commissioner, it is not feasible to attribute to any single
40 one of the funds, accounts, or programs. The fund’s,

1 account's, or program's pro rata share shall be
2 determined and paid in the manner and at the time
3 ordered by the commissioner.

4 (c) The provisions of any assessment statute that
5 authorize the commissioner to make or collect an
6 assessment for the purposes specified in the assessment
7 statute include authority for the commissioner to make
8 and collect an assessment for the additional purpose of
9 providing money in an amount that will, in the
10 commissioner's judgment, be sufficient to make
11 payments that may be required under subdivision (b).

12 SEC. 21. Section 277 of the Financial Code is amended
13 to read:

14 277. Notwithstanding any other provision of this code
15 or of Section 53667 of the Government Code, the
16 commissioner may, at any time during a fiscal year, pay
17 any expense of the department from any of the following
18 accounts and funds: the State Banking Account, the
19 Savings and Loan Account, the Industrial Bank Account,
20 the Financial Institutions Fund, the Credit Union Fund,
21 and the Local Agency Deposit Security Fund. However,
22 if the commissioner pays an expense of the department
23 from an account or fund from which the expense is not,
24 except for this section, permitted to be paid, the
25 commissioner shall, as of a date within that fiscal year,
26 reimburse the account or fund from which the expense
27 was paid by making a transfer from the account or fund
28 from which the expense would have been permitted to be
29 paid.

30 SEC. 22. Section 600 of the Financial Code is amended
31 to read:

32 600. The articles of each bank shall contain the
33 applicable one of the following statements:

34 (a) In case the bank is, or is proposed to be, a
35 commercial bank not authorized to engage in trust
36 business, that the purpose of the corporation is to engage
37 in commercial banking business and any other lawful
38 activities which are not, by applicable laws or regulations,
39 prohibited to a commercial bank.

(b) In case the bank is, or is proposed to be, a commercial bank authorized to engage in trust business, that the purpose of the corporation is to engage in commercial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a commercial bank authorized to engage in trust business.

(c) In case the bank is, or is proposed to be, an industrial bank not authorized to engage in trust business, that the purpose of the corporation is to engage in industrial banking business and any other lawful activities which are not, by applicable laws or regulations, prohibited to an industrial bank.

(d) In case the bank is, or is proposed to be, an industrial bank authorized to engage in trust business, that the purpose of the corporation is to engage in industrial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to an industrial bank authorized to engage in trust business.

(e) In case the bank is, or is proposed to be, a trust company (other than a commercial bank authorized to engage in trust business), that the purpose of the corporation is to engage in trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a trust company.

SEC. 23. Chapter 11 (commencing with Section 1400) is added to Division 1 of the Financial Code, to read:

CHAPTER 11. INDUSTRIAL BANKS

Article 1. General Provisions

1400. Chapter 11 (commencing with Section 1400) of Division 1 is a restatement of Division 7 (commencing with Section 18000) as that division pertains to the licensing and regulation of industrial banks and to the insurance of deposits of industrial banks. Chapter 11 is a continuation, simplification, and recodification of the

1 licensing and regulation of deposit-taking industrial
2 banks.

3 1401. (a) Any reference in a provision of any statute
4 or regulation of this state to banks or commercial banks
5 includes industrial banks.

6 (b) Subdivision (a) does not apply in any of the
7 following cases:

8 (1) In case the provision or a related provision
9 expressly provides otherwise.

10 (2) In the case of any provision of Division 1.5
11 (commencing with Section 4800) or this division.

12 1402. The Industrial Loan Account of the Financial
13 Institutions Fund is renamed to be the Industrial Bank
14 Account.

15 1403. (a) The commissioner shall annually levy on
16 and collect from industrial banks authorized to transact
17 industrial banking business in this state, pro rata on the
18 basis of total assets, an assessment in a total amount that
19 is sufficient in the commissioner's judgment to (1) meet
20 the expenses of the department in administering laws
21 relating to industrial banks or to the industrial banking
22 business that are not otherwise provided for and (2)
23 provide a reasonable reserve for contingencies.

24 (b) The amount of the annual assessment on any
25 industrial bank authorized to transact the industrial
26 banking business shall be the greater (1) five thousand
27 dollars (\$5,000) or (2) the sum of the products
28 determined by multiplying (A) increments of the bank's
29 or trust company's total assets by (B) percentages of the
30 base assessment rate according to the following table:

31		
32	Total Assets	
33	(In Percentage of Base Millions)	Assessment Rate
34	First \$2	100.0
35	Next \$18	50.0
36	Next \$80	12.0
37	Next \$100	6.25
38	Next \$800	6.0
39	Next \$1,000	4.0
40	Next \$4,000	3.5

1	Next \$14,000	3.0
2	Next \$20,000	2.5
3	Excess over \$40,000	1.5

4

5 (c) (1) For purposes of the annual assessment, the
6 total assets of an industrial bank authorized to transact
7 industrial banking business shall be determined as of a
8 date fixed by the commissioner. However, if an industrial
9 loan company is not authorized to transact industrial
10 banking business as of that date but is so authorized as of
11 the date when the annual assessment is levied, its total
12 assets for purposes of the annual assessment shall be
13 determined as of the date of the levy.

14 (2) (A) In determining for purposes of the annual
15 assessment on the total assets of industrial banks that are
16 authorized to transact industrial banking business and
17 that have one or more foreign (other state) branch offices
18 or facilities, the assets of the foreign (other state) branch
19 offices and facilities shall be excluded from total assets.
20 However, the commissioner may order the assets of
21 foreign (other state) branch offices and facilities to be
22 included in total assets if and to the extent that it is
23 necessary or advisable in the commissioner's judgment to
24 (i) meet the expenses of the department on account of
25 foreign (other state) branch offices and facilities that are
26 not otherwise provided for and (ii) provide a reasonable
27 reserve for contingencies.

28 (B) If the commissioner finds that an industrial bank
29 authorized to transact industrial banking business
30 allocated any asset to a foreign (other state) branch office
31 or facility for the purpose, in whole or in part, of reducing
32 its annual assessment, the commissioner may, for
33 purposes of calculating the annual assessment on the
34 industrial bank, reallocate the asset to the industrial
35 bank's head office.

36 (d) The base assessment rate for each annual
37 assessment shall be fixed by the commissioner but shall
38 not exceed two dollars and twenty cents (\$2.20) per one
39 thousand dollars (\$1,000) of total assets.



Article 2. Business of Industrial Banks

1410. Each industrial bank shall be an insured bank at all times while it is engaged in the industrial banking business.

1411. Subject to any order or regulation of the commissioner, an industrial bank may accept deposits evidenced by investment or thrift certificates, which are redeemable prior to their stated maturity, but may not accept demand deposits.

1412. In addition to other provisions of this division that are otherwise applicable to an industrial bank, the following provisions of this division apply to the industrial bank as if it were a California state commercial bank:

- (a) Chapter 4 (commencing with Section 490).
- (b) Chapter 5 (commencing with Section 600).
- (c) Chapter 6 (commencing with Section 750).
- (d) Chapter 6.5 (commencing with Section 800).
- (e) Chapter 7 (commencing with Section 850).
- (f) Chapter 8 (commencing with Section 952).
- (g) Chapter 10 (commencing with Section 1200).
- (h) Chapter 12 (commencing with Section 1500).
- (i) Chapter 13 (commencing with Section 1650).
- (j) Chapter 15 (commencing with Section 1900).
- (k) Chapter 17 (commencing with Section 3100).
- (l) Chapter 18 (commencing with Section 3350).
- (m) Chapter 20 (commencing with Section 3600).
- (n) Chapter 21 (commencing with Section 3700).
- (o) Chapter 21.5 (commencing with Section 3750).
- (p) Chapter 22 (commencing with Section 3800).
- (q) Division 1.5 (commencing with Section 4800).

SEC. 24. Section 1500.1 of the Financial Code is amended to read:

1500.1. Any commercial bank or industrial bank, with the prior authorization of the commissioner, may engage in the trust business, if its articles comply with the requirements of subdivision (b) of Section 600. Any bank so authorized shall, in the conduct of its trust business, comply with and be governed by all of the provisions of this chapter, except the provisions of Section 1560. An

1 application for such authorization shall be in such form
2 and contain such information as the commissioner may
3 require, and be accompanied by a fee of one thousand
4 dollars (\$1,000).

5 SEC. 25. Section 1800.3 of the Financial Code is
6 amended to read:

7 1800.3. (a) No person shall engage in the business of
8 receiving money for the purpose of transmitting the same
9 or its equivalent to foreign countries without first
10 obtaining a license from the commissioner.

11 (b) This chapter shall not apply to any of the following:

12 (1) A commercial bank or industrial bank, the deposits
13 of which are insured by the Federal Deposit Insurance
14 Corporation or its successor, or any foreign (other nation)
15 bank which is licensed under Article 3 (commencing with
16 Section 1750) of Chapter 13.5 or which is authorized
17 under federal law to maintain a federal agency or federal
18 branch office in this state.

19 (2) A trust company licensed pursuant to Section 401
20 or a national association authorized under federal law to
21 engage in a trust banking business.

22 (3) An association or federal association, as defined in
23 Section 5102 the deposits of which are insured by the
24 Federal Deposit Insurance Corporation or its successor.

25 (4) Any federally or state chartered credit union the
26 member accounts of which are insured or guaranteed as
27 provided in Section 14858.

28 SEC. 26. Section 1913.5 of the Financial Code is
29 amended to read:

30 1913.5. (a) For the purposes of this section, the
31 following definitions are applicable:

32 (1) "Account holder" includes, in the case of a deposit
33 account, the depositor; in the case of a trust account, each
34 trustor and beneficiary of the trust account; and, in the
35 case of any other fiduciary account, each person who
36 occupies, with respect to the account, a position that is
37 similar to the position that a trustor or beneficiary
38 occupies with respect to a trust account.

39 (2) "Bank" means the following:



1 (A) Any commercial bank, industrial bank, or trust
2 company incorporated under the laws of this state.

3 (B) Any foreign (other state) state bank that
4 maintains a branch office in this state, with respect to the
5 branch office and any other office in this state.

6 (C) Any foreign (other state) state bank that is
7 licensed by the commissioner under Article 4
8 (commencing with Section 3860) of Chapter 22 to
9 maintain a facility (as defined in Section 3800) in this
10 state, with respect to that office.

11 (D) Any foreign (other nation) bank that is licensed
12 by the commissioner under Chapter 13.5 (commencing
13 with Section 1700) to maintain an office in this state, with
14 respect to that office.

15 (E) Any corporation incorporated under the laws of
16 this state that is incorporated for the purpose of engaging
17 in, or that is authorized by the commissioner to engage in,
18 business under Article 1 (commencing with Section 3500)
19 of Chapter 19.

20 (F) Any foreign corporation that is licensed by the
21 commissioner under Article 1 (commencing with Section
22 3500) of Chapter 19 to maintain an office in this state and
23 to transact at that office business under Article 1
24 (commencing with Section 3500) of Chapter 19, with
25 respect to that office.

26 (3) “Order” means any approval, consent,
27 authorization, permit, exemption, denial, prohibition, or
28 requirement applicable to a specific case issued by the
29 commissioner, including, without limitation, any
30 condition thereof. “Order” does not include any
31 certificate of authority or license issued by the
32 commissioner but does include any condition of a license
33 and any written agreement made by any person with the
34 commissioner under this division.

35 (4) “Subject person of a bank” means any director,
36 officer, or employee of the bank, or any person who
37 participates in the conduct of the business of the bank.
38 However, “subject person of a bank” does not include a
39 controlling person of the bank that is registered as a bank
40 holding company with the Board of Governors of the

1 Federal Reserve System pursuant to the Bank Holding
2 Company Act of 1956 (12 U.S.C. Sections 1841, et seq.).
3 “Subject person of a bank” does not include an individual
4 who is a director, officer, or employee of a controlling
5 person of the bank unless the individual is a director,
6 officer, or employee of the bank or participates in the
7 conduct of the business of the bank. For purposes of this
8 paragraph, “controlling person” has the meaning set
9 forth in Section 700.

10 (5) “Violation” includes, without limitation, any act
11 done, alone or with one or more persons, for or toward
12 causing, bringing about, participating in, counseling,
13 aiding, or abetting a violation.

14 (b) If, after notice and a hearing, the commissioner
15 finds the following, the commissioner may issue an order
16 suspending or removing a subject person of a bank from
17 his or her office with the bank and prohibiting the subject
18 person from further participating in any manner in the
19 conduct of the business of the bank, except with the prior
20 consent of the commissioner:

21 (1) (A) That the subject person has violated any
22 provision of this division or of any regulation or order
23 issued under this division, or any provision of any other
24 applicable law relating to the business of the bank; or

25 (B) That the subject person has engaged or
26 participated in any unsafe or unsound act with respect to
27 the business of the bank; or

28 (C) That the subject person has committed or
29 engaged in any act that constitutes a breach of his or her
30 fiduciary duty as a subject person; and

31 (2) (A) That the bank has suffered or will probably
32 suffer substantial financial loss or other damage by reason
33 of the violation, act, or breach of fiduciary duty; or

34 (B) That the interests of the bank’s accountholders
35 have been or are likely to be seriously prejudiced by
36 reason of the violation, act, or breach of fiduciary duty; or

37 (C) That the subject person has received financial
38 gain by reason of the violation, act, or breach of fiduciary
39 duty; and

1 (3) That the violation, act, or breach of fiduciary duty
2 is one involving personal dishonesty on the part of the
3 subject person, or one that demonstrates a willful or
4 continuing disregard for the safety or soundness of the
5 bank.

6 (c) If, after notice and a hearing, the commissioner
7 finds the following, the commissioner may issue an order
8 suspending or removing a subject person of a bank from
9 his or her office with the bank and prohibiting the subject
10 person from further participating in any manner in the
11 conduct of the business of the bank, except with the prior
12 consent of the commissioner:

13 (1) That the subject person's conduct or practice with
14 respect to another bank or business institution has
15 resulted in substantial financial loss or other damage; and

16 (2) That the conduct or practice has evidenced
17 personal dishonesty or willful or continuing disregard for
18 the safety and soundness of the other bank or business
19 institution; and

20 (3) That the conduct or practice is relevant in that it
21 demonstrates unfitness to continue as a subject person of
22 the bank.

23 (d) If the commissioner finds the following, the
24 commissioner may immediately issue an order
25 suspending or removing a subject person of a bank from
26 his or her office with the bank and prohibiting the subject
27 person from further participating in any manner in the
28 conduct of the business of the bank, except with the prior
29 consent of the commissioner:

30 (1) That it is necessary for the protection of the bank
31 or the interests of the bank's accountholders that the
32 commissioner issue the order immediately; and

33 (2) (A) That any of the factors set forth in paragraph
34 (1) of subdivision (b), any of the factors set forth in
35 paragraph (2) of subdivision (b), and any of the factors
36 set forth in paragraph (3) of subdivision (b) are true with
37 respect to the subject person; or

38 (B) That any of the factors set forth in paragraph (1)
39 of subdivision (c), any of the factors set forth in paragraph
40 (2) of subdivision (c), and the factor set forth in

1 paragraph (3) of subdivision (c) are true with respect to
2 the subject person.

3 (e) (1) If the commissioner finds the following, the
4 commissioner may immediately issue an order
5 suspending or removing a subject person of a bank from
6 his or her office with the bank and prohibiting the subject
7 person from further participating in any manner in the
8 conduct of the business of the bank, except with the prior
9 consent of the commissioner:

10 (A) That the subject person has been charged in an
11 indictment issued by a grand jury or in an information,
12 complaint, or similar pleading issued by a United States
13 attorney, district attorney, or other governmental official
14 or agency authorized to prosecute crimes, with a crime
15 that is punishable by imprisonment for a term exceeding
16 one year and that involves dishonesty or breach of trust;
17 and

18 (B) That the person's continuing to serve as a subject
19 person of the bank may pose a material threat to the
20 interests of the bank's accountholders or may threaten to
21 materially impair public confidence in the bank. In case
22 the criminal proceedings are terminated other than by a
23 judgment of conviction, the order shall be deemed
24 rescinded.

25 (2) If the commissioner finds the following, the
26 commissioner may immediately issue an order
27 suspending or removing a subject person of a bank, or a
28 former subject person of a bank, from his or her office, if
29 any, with the bank and prohibiting the person from
30 further participating in any manner in the conduct of the
31 business of the bank, except with the prior consent of the
32 commissioner:

33 (A) That the person has been finally convicted of a
34 crime that is punishable by imprisonment for a term
35 exceeding one year and that involves dishonesty or
36 breach of trust; and

37 (B) That the person's continuing to serve or
38 resumption of service as a subject person of the bank may
39 pose a material threat to the interests of the bank's



1 accountholders or may threaten to materially impair
2 public confidence in the bank.

3 (3) The fact that any subject person of a bank charged
4 with a crime involving dishonesty or breach of trust is not
5 finally convicted of that crime shall not preclude the
6 commissioner from issuing an order regarding the subject
7 person pursuant to other provisions of this division.

8 (f) (1) Within 30 days after an order is issued pursuant
9 to subdivision (d) or (e), the person to whom the order
10 is issued may file with the commissioner an application for
11 a hearing on the order. The commissioner shall, upon the
12 written request of the person, extend the 30-day period
13 by an additional 30 days provided the request is filed with
14 the commissioner within 30 days after the order is issued.
15 If the commissioner fails to commence the hearing within
16 15 business days after the application is filed, or within a
17 longer period to which the person consents, the order
18 shall be deemed rescinded. Within 30 days after the
19 hearing, the commissioner shall affirm, modify, or rescind
20 the order; otherwise, the order shall be deemed
21 rescinded.

22 (2) The right of any person to whom an order is issued
23 under subdivision (d) or (e) to petition for judicial
24 review of the order shall not be affected by the failure of
25 that person to apply to the commissioner for a hearing on
26 the order pursuant to this subdivision.

27 (g) (1) Any person to whom an order is issued under
28 subdivision (b), (c), (d), or (e) may apply to the
29 commissioner to modify or rescind that order. The
30 commissioner shall not grant that application unless the
31 commissioner finds that it is in the public interest to do
32 so and that it is reasonable to believe that the person will,
33 if and when he or she becomes a subject person of a bank,
34 comply with all applicable provisions of this division and
35 of any regulation or order issued thereunder.

36 (2) The right of any person to whom an order is issued
37 under subdivision (b), (c), (d), or (e) to petition for
38 judicial review of that order shall not be affected by the
39 failure of the person to apply to the commissioner
40 pursuant to paragraph (1) to modify or rescind the order.

1 (h) (1) A notice issued under this section shall state
2 the facts constituting the grounds for removal,
3 suspension, or prohibition.

4 (2) A hearing held before the commissioner pursuant
5 to this section shall be private unless the commissioner, in
6 his or her discretion, after fully considering the view of
7 the party afforded the hearing, determines that a public
8 hearing is necessary to protect the public interest.

9 (i) (1) It is unlawful for any subject person of a bank
10 or former subject person of a bank to whom an order is
11 issued under subdivision (b), (c), (d), or (e) to do any of
12 the following, except with the prior consent of the
13 commissioner, so long as the order is effective:

14 (A) To serve or act as a director, officer, employee, or
15 agent of any bank.

16 (B) To vote any shares or other securities of a bank
17 having voting rights, for the election of any person as a
18 director of the bank.

19 (C) Directly or indirectly, to solicit, procure, or
20 transfer or attempt to transfer, or vote any proxy, consent,
21 or authorization with respect to any shares or other
22 securities of any bank having voting rights.

23 (D) Otherwise to participate in any manner in the
24 conduct of the business of any bank.

25 (2) Any person who violates paragraph (1) shall, upon
26 conviction, be punished by a fine of not more than five
27 thousand dollars (\$5,000) or imprisoned in the state
28 prison, or in a county jail not to exceed one year, or by
29 both that fine and imprisonment.

30 (3) If, after notice and a hearing, the commissioner
31 finds that any person has violated paragraph (1), the
32 commissioner may order that person to pay to the
33 commissioner a civil penalty in an amount as the
34 commissioner may specify, provided that the amount of
35 the civil penalty shall not exceed one thousand dollars
36 (\$1,000) for each violation or, in the case of a continuing
37 violation, one thousand dollars (\$1,000) for each day for
38 which the violation continues.

39 In determining the amount of a civil penalty to be paid
40 to the commissioner under this paragraph, the

1 commissioner shall consider the financial resources and
2 good faith of the person charged, the gravity of the
3 violation, the history of previous violations by the person,
4 and other factors that in the opinion of the commissioner
5 may be relevant.

6 SEC. 27. Section 3100 of the Financial Code is
7 amended to read:

8 3100. The commissioner may, whenever it appears to
9 him or her that any of the conditions described in
10 subdivisions (a) to (h), inclusive, exist with respect to a
11 bank, forthwith take possession of the property and
12 business of the bank and retain possession until the bank
13 resumes business or its affairs are finally liquidated as
14 herein provided. The bank, with the consent of the
15 commissioner, may resume business subject to any
16 conditions that may be prescribed by the commissioner.
17 The term “bank” wherever used in this chapter includes
18 trust companies.

19 (a) The tangible shareholders’ equity of the bank is
20 less than:

21 (1) In case the bank is a commercial bank or
22 industrial bank, the greater of three percent of the
23 bank’s total assets or one million dollars (\$1,000,000); or

24 (2) In case the bank is a trust company other than a
25 commercial bank authorized to engage in trust
26 business, one million dollars (\$1,000,000).

27 (b) The bank has violated its articles or any law of
28 this state.

29 (c) The bank is conducting its business in an unsafe
30 or unauthorized manner.

31 (d) The bank refuses to submit its books, papers, and
32 affairs to the inspection of any examiner.

33 (e) Any officer of the bank refuses to be examined
34 upon oath touching the concerns of the bank.

35 (f) The bank has failed to pay any of its obligations
36 as they came due or that is reasonably expected to be
37 unable to pay its obligations as they come due.

38 (g) The bank is in a condition that it is unsound,
39 unsafe, or inexpedient for it to transact business.

(h) The bank neglects or refuses to observe any order of the commissioner made pursuant to Section 1913 unless the enforcement of the order is restrained in a proceeding brought by the bank.

SEC. 28. Section 3371 of the Financial Code is amended to read:

3371. As used in this article:

(a) “Bank” means:

(1) Any commercial bank, industrial bank, or trust company incorporated under the laws of this state.

(2) Any foreign (other nation) bank that is licensed by the commissioner under Article 3 (commencing with Section 1750) of Chapter 13.5 of this division to maintain a depository agency or branch office (as defined in Section 1700) in this state, with respect to any office of that type.

(3) Any corporation incorporated under the laws of this state that is incorporated for the purpose of engaging in, or that is authorized by the commissioner to engage in, business under Article 1 (commencing with Section 3500) of Chapter 19.

(4) Any foreign corporation that is licensed by the commissioner under Article 1 (commencing with Section 3500) of Chapter 19 of this division to maintain an office in this state and to transact at the office business under that article, with respect to any office of that type.

(5) When used to designate a person that extends credit, any subsidiary of a bank, as defined in paragraph (1), (2), (3), or (4).

(b) “Company” has the meaning set forth in subdivision (b) of Section 215.2 of Regulation O.

(c) “Executive officer” has the meaning set forth in paragraph (1) of subdivision (e) of Section 215.2 of Regulation O. Also, “executive officer,” when used with respect to any bank of the type described in paragraph (2) or (4) of subdivision (a), includes the manager of each office of the type referred to in paragraph (2) or (4) of subdivision (a) that the bank maintains in this state.

(d) “Extension of credit” has the meaning set forth in Section 215.3 of Regulation O. However, for purposes of

1 this subdivision, the term “member bank,” as used in
2 Section 215.3, means a bank.

3 (e) “Regulation O” means Regulation O (Part 215
4 (commencing with Section 215.1) of Title 12 of the Code
5 of Federal Regulations) of the Board of Governors of the
6 Federal Reserve System, as amended from time to time.

7 (f) “Subsidiary” has the meaning set forth in Section
8 1841(d) of Title 12 of the United States Code. However,
9 for purposes of this subdivision, the term “bank holding
10 company,” as used in Section 1841(d) of Title 12 of the
11 United States Code, means a bank holding company, as
12 defined in Section 1841(a) of Title 12 of the United States
13 Code, or a bank, and the term “board,” as used in Section
14 1841(d) of Title 12 of the United States Code, means the
15 commissioner.

16 SEC. 29. Section 3390 of the Financial Code is
17 amended to read:

18 3390. No person which has not received a certificate
19 from the commissioner authorizing it to engage in the
20 banking business shall solicit or receive deposits, issue
21 certificates of deposit with or without provision for
22 interest, make payments on check, or transact business in
23 the way or manner of a commercial bank, industrial bank,
24 or trust company.

25 SEC. 30. Section 3391 of the Financial Code is
26 amended to read:

27 3391. No person which has not received a certificate
28 from the commissioner authorizing it to engage in the
29 banking business shall advertise that it is accepting
30 deposits, and issuing notes or certificates therefor, or
31 make use of any office sign, at the place where its business
32 is transacted, having thereon any artificial or corporate
33 name, or other words indicating that the place or office
34 is the place or office of a bank or trust company, that
35 deposits are received there or payments made on check,
36 or any other form of banking business is transacted, nor
37 shall any person make use of or circulate any letterheads,
38 billheads, blank notes, blank receipts, certificates, or
39 circulars, or any written or printed paper, whatever,
40 having thereon any artificial or corporate name or other

1 words indicating that the business is the business of a bank
2 or trust company, or transact business in a way or manner
3 as to lead the public to believe that its business is that of
4 a bank or trust company, except to the extent expressly
5 authorized by this division.

6 SEC. 31. Section 3392 of the Financial Code is
7 amended to read:

8 3392. No person which has not received a certificate
9 from the commissioner authorizing it to engage in the
10 banking business shall transact business under any name
11 or title which contains the word “bank” or “banker” or
12 “banking” or “industrial bank” or “industrial loan
13 company” or “investment and loan” or “savings bank” or
14 “thrift and loan” or “trust” or “trustee” or “trust
15 company” and which indicates that the business is the
16 business of a bank or trust company. Any building and
17 loan association or savings association having in its
18 corporate name words not clearly indicating the nature
19 of its business shall state, on all signs, letterheads, and
20 advertising matter, “This is a building and loan
21 association” or “This is a savings association” or words to
22 that effect.

23 SEC. 32. Section 3392.5 of the Financial Code is
24 amended to read:

25 3392.5. No provision of Section 3390, 3391, or 3392
26 prohibits any of the following from transacting any
27 business or performing any activity if it is authorized by
28 applicable law to transact the business or perform the
29 activity and is not prohibited by any applicable law (other
30 than Sections 3390, 3391, and 3392) from transacting the
31 business or performing the activity:

32 (a) Any California state commercial bank, industrial
33 bank, or trust company.

34 (b) Any national bank.

35 (c) Any insured foreign (other state) state bank.

36 (d) Any foreign (other state) state bank that is
37 licensed by the commissioner under Article 4
38 (commencing with Section 3860) of Chapter 22 to
39 maintain a facility (as defined in Section 3800) in this
40 state.

1 (e) Any foreign (other nation) bank that is licensed by
2 the commissioner under Chapter 13.5 (commencing with
3 Section 1700) to maintain an office in this state.

4 (f) Any foreign (other nation) bank that maintains a
5 federal agency (as defined in subdivision (g) of Section
6 1700) or federal branch (as defined in subdivision (h) of
7 Section 1700) in this state.

8 (g) Any California state corporation that is
9 incorporated for the purpose of engaging in, and that is
10 authorized by the commissioner to engage in, business
11 under Article 1 (commencing with Section 3500) of
12 Chapter 19.

13 (h) Any corporation incorporated under Section 25A
14 of the Federal Reserve Act (12 U.S.C. Sec. 612 et seq.).

15 (i) Any foreign corporation that is licensed by the
16 commissioner under Article 1 (commencing with Section
17 3500) of Chapter 19 to maintain an office in this state and
18 to transact at that office business under Article 1
19 (commencing with Section 3500) of Chapter 19.

20 (j) Any industrial bank that is organized under the
21 laws of another state of the United States and is insured
22 by the Federal Deposit Insurance Corporation.

23 SEC. 33. Section 3800 of the Financial Code is
24 amended to read:

25 3800. In this chapter, unless the context otherwise
26 requires:

27 (a) “Branch business unit” has the meaning set forth
28 in subdivision (a) of Section 4840.

29 (b) “Core banking business” means the business of
30 receiving deposits, paying checks, making loans, and
31 other activities that the commissioner may specify by
32 order or regulation. “Core banking business,” when used
33 to describe the trust business, includes receiving fiduciary
34 assets and administering fiduciary accounts.

35 (c) “Facility,” when used with respect to a foreign
36 (other state) bank, means an office in this state at which
37 the bank engages in noncore banking business but at
38 which it does not engage in core banking business.

39 (d) “Noncore banking business” means all activities
40 permissible for commercial banks, industrial banks, or

1 trust companies, except core banking business, and
2 except those activities prohibited by law or determined
3 by the commissioner by regulation or order not to be
4 noncore banking business.

5 (e) “Whole business unit” has the meaning set forth in
6 subdivision (g) of Section 4840.

7 SEC. 34. Section 3824 of the Financial Code is
8 amended to read:

9 3824. (a) (1) No foreign (other state) bank may
10 merge as the surviving corporation with a California
11 bank, except that an insured foreign (other state) bank
12 may do so in accordance with federal law, the law of the
13 domicile of the foreign (other state) bank, this chapter,
14 and Division 1.5 (commencing with Section 4800).

15 (2) No foreign (other state) bank may purchase the
16 whole business unit of a California bank, except that an
17 insured foreign (other state) bank may do so in
18 accordance with federal law, the law of the domicile of
19 the foreign (other state) bank, this chapter, and Division
20 1.5 (commencing with Section 4800).

21 (3) No foreign (other state) bank that does not already
22 maintain a California branch office may establish or
23 maintain a California branch office except in the manner
24 described in paragraph (1) or (2) and in accordance with
25 federal law, the law of the domicile of the foreign (other
26 state) bank, and this chapter.

27 (b) This section constitutes:

28 (1) An election to permit early interstate merger
29 transactions pursuant to Section 44(a)(3) of the Federal
30 Deposit Insurance Act (12 U.S.C. Sec. 1831u(a)(3)).

31 (2) An express prohibition against interstate
32 branching through the acquisition of a branch business
33 unit located in this state of a California bank (without
34 acquisition of the whole business unit of the California
35 bank) pursuant to Section 44(a)(4) of the Federal
36 Deposit Insurance Act (12 U.S.C. Sec. 1831u(a)(4)).

37 (3) An express prohibition against interstate
38 branching through de novo establishment of California
39 branch offices pursuant to Section 5155 of the Revised

1 Statutes (12 U.S.C. Sec. 36) or Section 18(d) of the
2 Federal Deposit Insurance Act (12 U.S.C. Sec. 1828(d)).

3 SEC. 35. Section 3825 of the Financial Code is
4 amended to read:

5 3825. (a) No foreign (other state) bank that does not
6 already maintain a California branch office may:

7 (1) Merge as the surviving bank with a California bank
8 pursuant to paragraph (1) of subdivision (a) of Section
9 3824, unless the California bank has been in existence for
10 at least five years.

11 (2) Purchase the whole business unit of a California
12 bank pursuant to paragraph (2) of subdivision (a) of
13 Section 3824 unless the California bank has been in
14 existence for at least five years.

15 (b) For purposes of this section, a California bank that
16 is established solely for the purpose of, and does not open
17 for business prior to, acquiring the whole business unit of
18 a second California bank through a merger or purchase
19 is deemed to have been in existence for the same period
20 of time as the second California bank.

21 SEC. 36. Section 3826 of the Financial Code is
22 amended to read:

23 3826. The minimum age requirement set forth in
24 Section 3825 does not apply in any case in which the factor
25 set forth in subdivision (a) and any of the factors set forth
26 in subdivision (b) apply.

27 (a) The foreign (other state) bank, by itself or in
28 concurrent transactions with other depository
29 corporations (as defined in Section 4805.06), acquires the
30 whole business unit of the California bank or, if the
31 California bank has been closed or placed in
32 conservatorship, all or substantially all of the insured
33 deposits of the California bank.

34 (b) (1) If the California bank is a national bank, one
35 of the following:

36 (A) The bank is in default or in danger of default, as
37 defined in Section 3(x) of the Federal Deposit Insurance
38 Act (12 U.S.C. Sec. 1813(x)).

39 (B) The purchase or merger is one with respect to
40 which the Federal Deposit Insurance Corporation

1 provides assistance under Section 13(c) of the Federal
2 Deposit Insurance Act (12 U.S.C. Sec. 1823(c)).

3 (2) If the California bank is a state bank, one of the
4 following:

5 (A) The commissioner has taken possession of the
6 property and business of the bank pursuant to Section
7 3100.

8 (B) The purchase or merger is one with respect to
9 which the Federal Deposit Insurance Corporation
10 provides assistance under Section 13(c) of the Federal
11 Deposit Insurance Act (12 U.S.C. Sec. 1823(c)).

12 (C) The commissioner finds that one or more of the
13 factors listed in Section 3100 exists and that imposing the
14 minimum age requirement of Section 3825 is not in the
15 public interest.

16 SEC. 37. Section 3827 of the Financial Code is
17 amended to read:

18 3827. (a) In case a foreign (other state) state bank
19 that maintains a California branch office is a commercial
20 bank, in addition to other provisions of this division that
21 are otherwise applicable to the bank, the following
22 provisions of this division apply to the bank with respect
23 to its business in this state as if the bank were a California
24 state commercial bank:

25 (1) Sections 764, 765, 775, 777.5, and 779.

26 (2) Chapter 7 (commencing with Section 850).

27 (3) Chapter 8 (commencing with Section 952).

28 (4) Sections 1227.2, 1227.3, 1338, 1380, 1381, and 1382.

29 (5) Chapter 13 (commencing with Section 1650).

30 (6) Article 1 (commencing with Section 3350) of
31 Chapter 18.

32 (7) Chapter 20 (commencing with Section 3600).

33 (b) In case a foreign (other state) state bank that
34 maintains a California branch office is an industrial bank,
35 in addition to other provisions of this division that are
36 otherwise applicable to the bank, the provisions cited in
37 paragraphs (1) to (7), inclusive, of subdivision (a) and the
38 provisions of Chapter 11 (commencing with Section
39 1400) apply to the industrial bank with respect to its

1 business in this state as if the bank were a California state
2 industrial bank.

3 (c) In case a foreign (other state) state bank that
4 maintains a California branch office is authorized
5 pursuant to the law of its domicile to transact trust
6 business, in addition to other provisions of this division
7 that are otherwise applicable to the bank, the following
8 provisions of Chapter 12 (commencing with Section
9 1500) apply to the bank with respect to its business in this
10 state as if the bank were a California state bank
11 authorized to transact trust business:

12 (1) Article 3 (commencing with Section 1540). For
13 purposes of Article 3 (commencing with Section 1540),
14 the bank's principal place of business is deemed to be
15 situated in the city in which its California branch office is
16 located or, if it maintains California branch offices in two
17 or more cities, in the city with the largest population.

18 (2) Article 4 (commencing with Section 1560), except
19 Section 1560.

20 (3) Article 5 (commencing with Section 1580), except
21 Sections 1583, 1584, 1585, 1588, and 1590.

22 (d) Subject to the provisions of subdivision (d), in case
23 a foreign (other state) state bank that maintains a
24 California branch office is authorized pursuant to the law
25 of its domicile to transact trust business, the bank may
26 engage in and conduct trust business in this state and may
27 be appointed by any court to act in any fiduciary capacity
28 in which a California state trust company is authorized to
29 act.

30 (e) No foreign (other state) state bank that maintains
31 a California branch office may transact at the branch
32 office any business that it is not authorized to transact or
33 is prohibited from transacting under the law of its
34 domicile or that banks organized under the laws of this
35 state are not authorized to transact or are prohibited from
36 transacting.

37 (f) Whenever any provision of this chapter or of any
38 regulation or order issued under this chapter that is
39 applicable to or with respect to a foreign (other state)
40 state bank that maintains a California branch office is

1 inconsistent with any provision of any other chapter of
2 this division, the former provision applies, and the latter
3 provision does not apply.

4 SEC. 38. Section 3903 of the Financial Code is
5 amended to read:

6 3903. If the commissioner finds, with respect to an
7 application for a certificate of approval of the subject
8 name of a nonbank corporation, that the subject name
9 does not indicate that the nonbank corporation is
10 engaged in the banking, industrial banking, or trust
11 business, the commissioner shall issue a certificate of
12 approval of the subject name. If the commissioner finds
13 otherwise, the commissioner shall deny the application.

14 SEC. 39. Section 4805.01 of the Financial Code is
15 amended to read:

16 4805.01. Subject to additional definitions contained in
17 this division that are applicable to specific provisions of
18 this division and unless the context otherwise requires:

19 (a) The definitions in this article apply throughout this
20 division.

21 (b) The definitions in Chapter 1 (commencing with
22 Section 99) of Division 1 and in Section 1700 apply
23 throughout this division. For this purpose, “this division,”
24 as used in Sections 123 and 124, means:

25 (1) In the case of a California state bank, Division 1
26 (commencing with Section 99) and this division.

27 (2) In the case of a California state savings association,
28 this division and Division 2 (commencing with Section
29 5000).

30 SEC. 40. Section 4805.02 is added to the Financial
31 Code, to read:

32 4805.02. (a) In this division, “bank” means a
33 commercial bank or trust company (other than an
34 industrial loan company authorized to engage in trust
35 business). “Bank” does not include an industrial loan
36 company.

37 (b) Notwithstanding subdivision (a), “foreign (other
38 nation) bank” has the meaning set forth in Section
39 139.4(b)(1).

SEC. 41. Section 4805.10 is added to the Financial Code, to read:

4805.10. In this division, “industrial loan company” means an industrial bank as defined in Section 105.5.

SEC. 42. Section 4821.5 of the Financial Code is amended to read:

4821.5. Any certificate of authority, license, or other authorization issued under subdivision (b) of Section 4858, subdivision (b) of Section 4877.13, subdivision (b) of Section 4888, subdivision (b) of Section 4928, or Section 4948 or 4949 is deemed to have been issued under the provisions of Division 1 (commencing with Section 99) or Division 2 (commencing with Section 5000) that would otherwise apply to the issuance of the certificate of authority, license, or other authorization.

SEC. 43. Section 4823 of the Financial Code is amended to read:

4823. References in this division to shareholders’ equity mean shareholders’ equity determined in accordance with generally accepted accounting principles, subject (a) in the case of California state banks or California industrial loan companies, to the provisions of Section 118, and (b) in the case of California state savings associations, to the provisions of Division 2 (commencing with Section 5000).

SEC. 44. Section 4826.5 of the Financial Code is amended to read:

4826.5. Notwithstanding any other provision of this division:

(a) The provisions of Chapter 22 (commencing with Section 3800) of Division 1 apply to any transaction which is subject to this division. Whenever any provision of Chapter 22 (commencing with Section 3800) of Division 1 or of any regulation or order issued under Chapter 22 (commencing with Section 3800) of Division 1 is inconsistent with any provision of this division or of any regulation or order issued under this division, the provision of Chapter 22 (commencing with Section 3800) of Division 1 or of the regulation or order issued under Chapter 22 (commencing with Section 3800) of Division

1 1 applies, and the provision or this division or of the
2 regulation or order issued under this division does not
3 apply.

4 (b) Nothing in this division authorizes any sale or
5 merger in a case where the purchasing or surviving
6 depository corporation is a foreign depository
7 corporation if the sale or merger is prohibited by Chapter
8 22 (commencing with Section 3800) of Division 1.

9 (c) Nothing in this division constitutes an election by
10 this state under federal law to prohibit or permit
11 interstate sales or mergers between banks or industrial
12 loan companies.

13 SEC. 45. Section 4827 of the Financial Code is
14 amended to read:

15 4827. Except as expressly provided otherwise in this
16 division:

17 (a) (1) No sale of a whole business unit (as defined in
18 Section 4840) or merger in which the selling or
19 disappearing depository corporation is a California state
20 savings association, in which the purchasing or surviving
21 depository corporation is a California state bank, a
22 California industrial loan company, or a California
23 state-licensed foreign (other nation) bank, and which
24 may be effected with the approval of the commissioner
25 pursuant to this division is prohibited or restricted by any
26 provision of Division 2 (commencing with Section 5000)
27 or requires any approval, consent, or other authorization
28 of the commissioner pursuant to Division 2 (commencing
29 with Section 5000).

30 (2) No conversion in which the converting depository
31 corporation is a California state savings association in
32 which the resulting depository corporation is a California
33 state bank or a California industrial loan company, and
34 which may be effected with the approval of the
35 commissioner pursuant to this division is prohibited or
36 restricted by any provision of Division 2 (commencing
37 with Section 5000) or requires any approval, consent, or
38 other authorization of the commissioner pursuant to
39 Division 2.

(b) (1) No sale of a whole business unit (as defined in Section 4840) or merger in which the selling or disappearing depository corporation is a California state bank, a California state-licensed foreign (other nation) bank, or a California industrial loan company, in which the purchasing or surviving depository corporation is a California state savings association, and which may be effected with the approval of the commissioner pursuant to this division is prohibited or restricted by any provision of Division 1 (commencing with Section 99), except the provisions of Chapter 22 (commencing with Section 3800) of Division 1, or requires any approval, consent, or other authorization of the commissioner pursuant to Division 1, except as may be required under the provisions of Chapter 22 (commencing with Section 3800) of Division 1.

(2) No conversion in which the converting depository corporation is a California state bank or a California industrial loan company, in which the resulting depository corporation is a California state savings association, and which may be effected with the approval of the commissioner pursuant to this division is prohibited or restricted by any provision of Division 1 (commencing with Section 99), except the provisions of Chapter 22 (commencing with Section 3800) of Division 1, or requires any approval, consent, or other authorization of the commissioner pursuant to Division 1, except as may be required under the provisions of Chapter 22 (commencing with Section 3800) of Division 1.

SEC. 46. Section 4827.7 of the Financial Code is amended to read:

4827.7. (a) (1) Except as otherwise provided in paragraph (2):

(A) No California state depository corporation may, as the selling or disappearing depository corporation, make a sale or merger pursuant to this division in which it would transfer to a California state-licensed or federally licensed foreign (other nation) bank any deposit or fiduciary account that the foreign bank is not authorized to accept.

(B) No California state-licensed foreign (other nation) bank may, as the purchasing or surviving depository corporation, make a sale or merger pursuant to this division in which it would acquire any deposit or fiduciary account that it is not authorized to accept.

(2) Notwithstanding paragraph (1) and Section 1755, a California state depository corporation may, as the selling or disappearing depository corporation, make a sale or merger pursuant to this division in which it transfers to a California state-licensed or federally licensed foreign (other nation) bank deposits or fiduciary accounts that the foreign bank is not authorized to accept, and a California state-licensed foreign (other nation) bank may, as the purchasing or surviving depository corporation, make a sale or merger pursuant to this division in which it acquires deposits or fiduciary accounts that it is not authorized to accept, if, concurrently with the effective time of the sale or merger, the foreign bank, pursuant to Article 5 (commencing with Section 4879.01) of Chapter 3 or other applicable law, sells all those deposits and fiduciary accounts to a depository corporation that is authorized to accept them.

(b) (1) Except as otherwise provided in paragraph (2):

(A) No California state bank or industrial loan company may, as the selling, disappearing, or converting depository corporation, make a sale, merger, or conversion pursuant to this division in which it would transfer to a savings association any deposit or fiduciary account that the savings association is not authorized to accept.

(B) No California state savings association may, as the purchasing, surviving, or resulting depository corporation, make a sale, merger, or conversion pursuant to this division in which it would acquire any deposit or fiduciary account that it is not authorized to accept.

(2) Notwithstanding paragraph (1) and Division 2 (commencing with Section 5000), a California state bank or industrial loan company may, as the selling, disappearing, or converting depository corporation,

1 make a sale, merger, or conversion pursuant to this
2 division in which it transfers to a savings association
3 deposits or fiduciary accounts that the savings association
4 is not authorized to accept, and a California state savings
5 association may, as the purchasing, surviving, or resulting
6 depository corporation, make a sale, merger, or
7 conversion pursuant to this division in which it acquires
8 deposits or fiduciary accounts that it is not authorized to
9 accept, if, concurrently with the effective time of the sale,
10 merger, or conversion, the savings association, pursuant
11 to Article 5 (commencing with Section 4879.01) of
12 Chapter 3 or other applicable law, sells all those deposits
13 and fiduciary accounts to a depository corporation that is
14 authorized to accept them.

15 (c) (1) Except as otherwise provided in paragraph
16 (2):

17 (A) No California state bank or savings association
18 may, as the selling, disappearing, or converting
19 depository corporation, make a sale, merger, or
20 conversion pursuant to this division in which it would
21 transfer to an industrial loan company any deposit or
22 fiduciary account that the industrial loan company is not
23 authorized to accept.

24 (B) No California industrial loan company may, as the
25 purchasing, surviving, or resulting depository
26 corporation, make a sale, merger, or conversion pursuant
27 to this division in which it would acquire any deposit or
28 fiduciary account that it is not authorized to accept.

29 (2) Notwithstanding paragraph (1) and Division 1
30 (commencing with Section 99), a California state bank or
31 savings and loan association may, as the selling,
32 disappearing, or converting depository corporation,
33 make a sale, merger, or conversion pursuant to this
34 division in which it transfers to an industrial loan
35 company deposits or fiduciary accounts that the
36 industrial loan company is not authorized to accept, and
37 a California industrial loan company may, as the
38 purchasing, surviving, or resulting depository
39 corporation, make a sale, merger, or conversion pursuant
40 to this division in which it acquires deposits or fiduciary

1 accounts that it is not authorized to accept, if,
2 concurrently with the effective time of the sale, merger,
3 or conversion, the industrial loan company, pursuant to
4 Article 5 (commencing with Section 4879.01) of Chapter
5 3 or other applicable law, sells all those deposit accounts
6 and fiduciary accounts to a depository corporation that is
7 authorized to accept them.

8 SEC. 47. Section 4871.5 of the Financial Code is
9 amended to read:

10 4871.5. (a) No provision of Division 1 (commencing
11 with Section 99), except the provisions of Chapter 22
12 (commencing with Section 3800) of Division 1, prohibits
13 or restricts a sale in a case where the seller is a California
14 state bank or a California industrial loan company.

15 (b) No provision of Division 2 (commencing with
16 Section 5000) prohibits or restricts a sale in a case where
17 the seller is a California state savings and loan association.

18 SEC. 48. Section 4877.03 of the Financial Code is
19 amended to read:

20 4877.03. No provision of Division 1 (commencing
21 with Section 99), except the provisions of Chapter 22
22 (commencing with Section 3800) of Division 1, prohibits
23 or restricts a sale in a case where the seller is a California
24 state bank or a California industrial loan company.

25 SEC. 49. Section 4901.5 of the Financial Code is
26 amended to read:

27 4901.5. (a) No provision of Division 1 (commencing
28 with Section 99), except the provisions of Chapter 22
29 (commencing with Section 3800) of Division 1, prohibits
30 or restricts the merger of a California state bank or
31 California industrial loan company.

32 (b) No provision of Division 2 (commencing with
33 Section 5000) prohibits or restricts the merger of a
34 California state savings and loan association.

35 SEC. 50. Section 12307.4 of the Financial Code is
36 amended to read:

37 12307.4. Whenever the commissioner has taken
38 possession of the property and business of a licensee the
39 commissioner may petition the superior court for the
40 appointment of a receiver to liquidate the affairs of the

licensee. During the time that the commissioner retains possession of the property and business of a licensee the commissioner shall have the same powers and authority with reference to the licensee as are vested in the Commissioner of Financial Institutions with respect to banks pursuant to Chapter 17 (commencing with Section 3100) of Division 1 and the licensee shall likewise have the same rights to hearings and judicial review as are granted to banks. While in possession of the property and business of a check seller, a receiver shall have the same powers and authority as are vested in the Commissioner of Financial Institutions while in possession of the property and business of a bank.

SEC. 51. Section 18003 of the Financial Code is amended to read:

18003. “Industrial loan company,” “thrift and loan company,” or “company” as used in this division means a premium finance agency as defined in Section 18560. Notwithstanding any other provision of this chapter, these terms and this division do not apply to an industrial bank subject to and governed by Chapter 11 (commencing with Section 1400) of Division 1.

SEC. 52. Section 18003.2 is added to the Financial Code, to read:

18003.2. (a) Any reference in a provision of any statute or regulation of this state to an industrial loan company or a thrift and loan company means an insurance premium finance agency as defined in Section 18560.

(b) Subdivision (a) does not apply in any of the following cases:

(1) In case the provision or a related provision expressly provides otherwise.

(2) In the case of any provision of Division 1 (commencing with Section 99) or Division 1.5 (commencing with Section 4800).

SEC. 53. Section 22050 of the Financial Code is amended to read:

22050. (a) This division does not apply to any person doing business under any law of this state or of the United

1 States relating to banks, trust companies, savings and loan
2 associations, insurance premium finance agencies, credit
3 unions, small business investment companies, California
4 business and industrial development corporations, or
5 licensed pawnbrokers.

6 (b) This division does not apply to a broker-dealer
7 acting pursuant to a certificate, then in effect, issued
8 pursuant to Section 25211 of the Corporations Code.

9 (c) This division does not apply to a college or
10 university making a loan for the purpose of permitting a
11 person to pursue a program or course of study leading to
12 a degree or certificate.

13 (d) This division does not apply to a check cashier who
14 holds a valid permit issued pursuant to Section 1789.37 of
15 the Civil Code when acting under the authority of that
16 permit.

17 (e) This division does not apply to any person who
18 makes no more than one loan in a 12-month period as long
19 as that loan is a commercial loan as defined in Section
20 22502.

21 (f) This division does not apply to any public
22 corporation as defined in Section 67510 of the
23 Government Code, any public entity other than the state
24 as defined in Section 811.2 of the Government Code, or
25 any agency of any one or more of the foregoing, when
26 making any loan so long as the public corporation, public
27 entity, or agency of any one or more of the foregoing
28 complies with all applicable federal and state laws and
29 regulations.

30 SEC. 54. Section 22154 of the Financial Code is
31 amended to read:

32 22154. (a) No licensee shall conduct the business of
33 making loans under this division within any office, room,
34 or place of business in which any other business is solicited
35 or engaged in, or in association or conjunction therewith,
36 except as is authorized in writing by the commissioner
37 upon the commissioner's finding that the character of the
38 other business is such that the granting of the authority
39 would not facilitate evasions of this division or of the rules
40 and regulations made pursuant to this division. An

1 authorization once granted remains in effect until
2 revoked by the commissioner.

3 (b) The products or services of an affiliated
4 corporation of the licensee that is a supervised financial
5 institution, or a parent or subsidiary of a supervised
6 financial institution that is an affiliate of the licensee, may
7 be provided, offered, or sold at the licensed location of the
8 licensee without authorization by the commissioner
9 pursuant to subdivision (a) if (1) the activity is not
10 prohibited by, or in violation of, the laws applicable to the
11 affiliate or supervised financial institution, and (2) the
12 products and services are not offered and sold in a
13 manner that restricts the ability of the borrower or
14 customer to individually select or reject a product or
15 service that is offered.

16 (c) The following definitions govern the construction
17 of this section:

18 (1) “Affiliated” or “affiliate” means the following: A
19 corporation is an affiliate of, or a corporation is affiliated
20 with, another specified corporation if it directly, or
21 indirectly through one or more intermediaries, controls,
22 is controlled by, or is under common control with, the
23 other specified corporation.

24 (2) “Supervised financial institution” means any
25 commercial bank, industrial bank, credit card bank, trust
26 company, savings and loan association, savings bank,
27 credit union, California finance lender, residential
28 mortgage lender or servicer, or insurer, provided that the
29 institution is subject to supervision by an official or agency
30 of this state or of the United States.

31 SEC. 55. Section 31220 of the Financial Code is
32 amended to read:

33 31220. Notwithstanding any other law of this state,
34 but subject to the provisions of Section 31550:

35 (a) Any commercial bank, industrial bank, or trust
36 company organized under the laws of this state may, with
37 the prior approval of the commissioner, acquire and hold
38 securities issued by a licensee; provided, however, that
39 the aggregate amount of securities issued by licensees
40 which are held by the commercial bank, industrial bank,

1 or trust company shall not at any time exceed $2\frac{1}{2}$
2 percent of the shareholders' equity of the commercial
3 bank, industrial bank, or trust company. This subdivision
4 shall not apply to any loan or other extension of credit
5 made by a commercial bank or industrial bank organized
6 under the laws of this state to a licensee in accordance
7 with the Banking Law (Division 1 (commencing with
8 Section 99)).

9 (b) Any savings association organized under the laws
10 of this state may, with the prior approval of the
11 commissioner, acquire and hold securities issued by a
12 licensee; provided, however, that the aggregate amount
13 of securities issued by licensees which are held by such
14 savings association shall not at any time exceed $\frac{1}{2}$
15 percent of the total outstanding loans of such savings
16 association.

17 (c) Any insurance company admitted to transact
18 insurance business in this state may, with the approval of
19 the Insurance Commissioner, acquire and hold securities
20 issued by a licensee; provided, however, that the
21 aggregate amount of securities issued by licensees which
22 are held by such insurance company shall not at any time
23 exceed $2\frac{1}{2}$ percent of the unassigned surplus of such
24 insurance company.

25 (d) Any public utility licensed or regulated by the
26 Public Utilities Commission may, with the approval of the
27 Public Utilities Commission, acquire and hold securities
28 issued by a licensee; provided, however, that the
29 aggregate amount of securities issued by licensees which
30 are held by such public utility company shall not at any
31 time exceed $\frac{1}{2}$ percent of the total assets of such public
32 utility company.

33 SEC. 56. In Sections 57 to 59, inclusive, of this act:

34 (a) (1) "Industrial Loan Law" means the Industrial
35 Loan Law (Division 7 (commencing with Section 18000))
36 of the Financial Code) as in effect immediately prior to
37 the operative date of this act.

38 (2) "Order" means any approval, written approval,
39 consent, exemption, denial, prohibition, requirement, or
40 other administrative action, applicable to a specific case.



1 “Order” does not include any certificate of authorization
2 but does include any condition of a certificate of
3 authorization. Also, order includes any written
4 agreement with the commissioner.

5 (3) “Revised Banking Law” means the Banking Law
6 (Division 1 (commencing with Section 99) of the
7 Financial Code) as in effect on the operative date of this
8 act.

9 (4) “Subject industrial bank” means a California
10 corporation which, immediately prior to the operative
11 date of this act, was authorized under the Industrial Loan
12 Law to operate as an industrial loan company. However,
13 “subject industrial bank” does not include any subject
14 insurance premium finance agency as defined in Section
15 18560 of the Financial Code.

16 (b) Except as otherwise provided in subdivision (a),
17 the definitions in Chapter 1 (commencing with Section
18 99) of the Revised Banking Law apply.

19 SEC. 57. (a) (1) Each subject industrial bank shall,
20 as of the operative date of this act, be deemed to be
21 authorized under the Revised Banking Law to transact
22 industrial banking business.

23 (2) The commissioner shall, as of the operative date of
24 this act, issue to each subject industrial bank a certificate
25 of authority authorizing it to transact industrial banking
26 business at the location which was the location of its head
27 office immediately prior to the operative date of this act.
28 The certificate of authority shall be deemed to be issued
29 under Section 401 of the Revised Banking Law.

30 (b) In case a subject industrial bank, immediately
31 prior to the operative date of this act, was authorized
32 under the Industrial Loan Law to, and did, maintain a
33 branch office at any location:

34 (1) The subject industrial bank shall, as of the
35 operative date of this act, be deemed to be authorized to
36 open and operate a branch office at the location.

37 (2) The commissioner shall, as of the operative date of
38 this act, issue to the subject industrial bank a certificate
39 of authority authorizing it to open and operate a branch
40 office at the location. The certificate of authority shall be

1 deemed to be issued pursuant to Section 504 of the
2 Revised Banking Law.

3 (c) In case a subject industrial bank, immediately prior
4 to the operative date of this act, was authorized under the
5 Industrial Loan Law to, and did, maintain a place of
6 business at any location:

7 (1) The subject industrial bank shall, as of the
8 operative date of this act, be deemed to be authorized
9 under the Revised Banking Law to open and operate a
10 place of business at the location.

11 (2) The commissioner shall, as of the operative date of
12 this act, issue to the subject industrial bank a certificate
13 of authority authorizing it to open and operate a place of
14 business at the location. The certificate of authority shall
15 be deemed to be issued pursuant to Section 544 of the
16 Revised Banking Law.

17 (d) (1) Each certificate of authority which was issued
18 to a subject industrial bank under the Industrial Loan
19 Law and which was in effect immediately prior to the
20 operative date of this act shall be deemed canceled as of
21 the operative date of this act.

22 (2) Each subject industrial bank shall, promptly after
23 the operative date of this act, surrender to the
24 commissioner all certificates of authority which were
25 issued to it under the Industrial Loan Law and which
26 were in effect immediately prior to the operative date of
27 this act.

28 SEC. 58. (a) The articles of incorporation of each
29 subject industrial bank shall, as of the operative date of
30 this act, be deemed to provide that the purpose of the
31 subject industrial bank is to engage in industrial banking
32 business and any other lawful activities which are not, by
33 applicable laws or regulations, prohibited to an industrial
34 bank.

35 (b) (1) Within 90 days of the operative date of this act,
36 each subject industrial bank shall amend its articles of
37 incorporation to comply with the provisions of
38 subdivision (c) of Section 600 of the Revised Banking
39 Law.



(2) Notwithstanding Section 902 of the Corporations Code, the amendment of the articles of a subject industrial bank called for in paragraph (1) may be adopted by approval of the board alone.

SEC. 59. Each order which was issued to or with respect to a subject industrial bank under the Industrial Loan Law before the operative date of this act and which was in effect immediately before the operative date of this act shall continue in effect on and after the operative date of this act.

SEC. 60. (a) Sections 642 and 643 of the Financial Code relating to distributions shall apply to industrial banks on January 1, 2001, unless an industrial bank makes the election provided for in subdivision (b).

(b) Within 30 days of January 1, 2001, an industrial bank shall file with the commissioner a notice of election to delay the applicability of Sections 642 and 643 of the Financial Code to that industrial bank until January 1, 2005.

(c) Within 15 days of receipt of the notice of election, the commissioner shall acknowledge in writing that the notice of election has been received and filed. The acknowledgment of the filing by the commissioner shall act to delay the applicability of Sections 642 and 643 of the Financial Code as to that industrial bank until January 1, 2005.

(d) Until January 1, 2005, Chapter 5 (commencing with Section 500) of Division 1 of the Corporations Code applies to any distribution to shareholders made by an industrial bank that has been issued an acknowledgment in accordance with subdivision (c).

(e) Sections 642 and 643 of the Financial Code relating to distributions shall apply to all industrial banks on and after January 1, 2005.

~~SEC. 61. Section 16.5 of this bill incorporates amendments to Section 256 of the Financial Code proposed by both this bill and AB 2420. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2001, but this bill becomes operative first, (2) each bill amends Section 256~~

1 of the Financial Code, and (3) this bill is enacted after AB
2 2420, in which case Section 256 of the Financial Code, as
3 amended by Section 16 of this bill, shall remain operative
4 only until the operative date of AB 2420, at which time
5 Section 16.5 of this bill shall become operative.

6 ~~SEC. 62.~~

7 *SEC. 61.* This act is an urgency statute necessary for
8 the immediate preservation of the public peace, health,
9 or safety within the meaning of Article IV of the
10 Constitution and shall go into immediate effect. The facts
11 constituting the necessity are:

12 In order to provide for a more appropriate regulatory
13 structure and comprehensive regulatory oversight at the
14 earliest possible time, it is necessary that this act take
15 effect immediately.

